

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (9/8)
BUTTER: Grade AA closed at \$1.3000. The weekly average for Grade AA is \$1.3219 (-.0551).

CHEESE: Barrels closed at \$1.2650 and blocks at \$1.3000. The weekly average for barrels is \$1.3000 (-.0185) and blocks, \$1.3356 (+.0086).

BUTTER: Butter prices at the CME have retreated to \$1.3000 this week after reaching a cycle high of \$1.3800 last week. The declines are highly influenced by the weaker cream market. Supplies of cream were building ahead of the holiday weekend and have been in surplus this week. Multiples and overages for cream have declined to secure sales. As cream utilization in ice cream production has slowed, more cream is moving into the churns. Butter producers are using more fresh butter for needs and pulling less butter out of inventory. More unsalted butter is being produced. Churners are preparing for the upcoming fall season and holiday butter needs. Food service demand has shifted from summer patterns to fall patterns. More trade reports indicate that restaurant traffic has slowed. Butter utilization in this segment is an area the industry is watching. Retail demand is generally flat with features limited.

CHEESE: The cheese market is unsettled after nearly a 5 cent decline in cash prices on Friday, September 8. Sharp price increases in recent weeks are being passed on to customers. Some buyers were slow to reorder after the holiday. Current cheddar blocks are available in the West and limited elsewhere as producers concentrate on producing other, higher margin varieties. Fresh mozzarella supplies are tighter as pizza demand strengthens seasonally with the reopening of schools. Process interest has slowed seasonally. Any extra milk supplies available over the holiday weekend were easily absorbed. However, increased Class I needs for school accounts is impacting cheese production. Aged cheddar interest remains fairly light. Cheese yields are slowly increasing. Cumulative 2006 cheddar production for the first 7 months totals 1.867 billion pounds, up 59.7 million pounds (3.3%) from the same period in 2005. Cumulative total cheese production in 2006 totals 5.466 billion pounds, up 167.1 million pounds (3.2%) from the same period last year.

FLUID MILK: Class I demand was steady to improved where schools reopened for the new year. After the holiday weekend, manufacturing schedules are steady to often lighter. The holiday weekend did generate only slightly heavier fluid volumes for manufacturing though churning was more active. Cream availability is improving as increased bottling use generates more standardized cream. Milk intakes are fairly steady in the Northeast and upper Midwest. Hurricane Ernesto interrupted some deliveries and plant schedules but caused no major problems for producers or plants. California milk receipts are steady overall though intakes vary by location. Several days of rain in Arizona has lead to declines in receipts while levels in New Mexico are flat. In the Pacific Northwest, fall-like conditions are

conducive for milk production, at least west of the mountains. However, elevated temperatures on the east slope are causing lower intakes. Milk intakes are at expected levels in Utah and Idaho.

DRY PRODUCTS: Most recent powder market trends continue with markets firm and spot offerings limited. More milk was available to manufacturing plants over the holiday weekend, and as a result, drying schedules were heavier. NDM is somewhat of an exception. Supplies of NDM remain tight but buyers that had been shorted on orders are starting to receive their Western produced loads on a more regular basis. Buyers are less anxious about the short term supply situation than just a week or two ago. Spot NDM sales are non-existent from Eastern producers. Tight supplies continue to have cheese makers utilizing more condensed skim to boost cheese yields as a replacement for NDM. Buttermilk powder prices are higher on a firm market. Churning was heavier over the holiday weekend, increasing the volume dried. Also, increased bottling for school accounts is generating a larger volume of standardized cream. Whey is firm with most sales activity limited to contracted volumes. Recent delivery delays are starting to be cleared up from recent weeks. Lactose prices are firm and buyers are trying to make commitments for both the fourth quarter and 2007. Producers remain reluctant to make commitments until production levels for September and estimates for the end of the year can be better projected.

CCC: During the week of September 4 - 8, there was no CCC activity under the dairy price support program.

JULY DAIRY PRODUCTS HIGHLIGHTS (NASS): Butter production was 92.7 million pounds in July, 3.3% below July 2005 and 8.0% below June 2006. American type cheese production totaled 328.6 million pounds, 4.0% above July 2005 but 2.5% below June 2006. Total cheese output (excluding cottage cheese) was 767.9 million pounds, 3.9% above July 2005 but 3.3% below June 2006. Nonfat dry milk production, for human food, totaled 88.2 million pounds, 18.9% below July 2005 and 24.6% below June 2006. Skim milk powders production totaled 29.3 million pounds, 31.3% above June but 8.3% below July 2005. Dry whey production, for human food, was 84.9 million pounds, 5.0% above July 2005 but 0.3% below June 2006. Ice cream (hard) production totaled 85.4 million gallons, 1.8% below July 2005 and 2.8% below June 2006.

JULY FLUID MILK SALES (AMS & CDIB): During July, about 4.3 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 0.5% higher than July 2005. After adjusting for calendar composition, sales in July 2006 were 0.7% higher than July 2005. On an individual product basis, after adjusting for calendar composition, sales of flavored whole milk, reduced fat (2%) milk, low fat milk (1%), and fat-free (skim) milk increased from July 2005, while sales of whole milk, flavored fat-reduced milk, and buttermilk decreased from a year earlier. Sales data for organic milk are now being provided.

****SPECIALS THIS ISSUE****

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**CHICAGO MERCANTILE EXCHANGE
 CASH TRADING**

PRODUCT	MONDAY SEPTEMBER 4	TUESDAY SEPTEMBER 5	WEDNESDAY SEPTEMBER 6	THURSDAY SEPTEMBER 7	FRIDAY SEPTEMBER 8	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	Holiday	\$1.3125 (N.C.)	\$1.3125 (N.C.)	\$1.3100 (-.0025)	\$1.2650 (-.0450)	(-.0475)	\$1.3000 (-.0185)
40# BLOCKS	No	\$1.3475 (N.C.)	\$1.3475 (N.C.)	\$1.3475 (N.C.)	\$1.3000 (-.0475)	(-.0475)	\$1.3356 (+.0086)
BUTTER GRADE AA	Trading	\$1.3425 (-.0250)	\$1.3300 (-.0125)	\$1.3150 (-.0150)	\$1.3000 (-.0150)	(-.0675)	\$1.3219 (-.0551)

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM **NOTE: CME NDM on Page 2.**

CHICAGO MERCANTILE EXCHANGE

MONDAY, SEPTEMBER 4, 2006 HOLIDAY - CME CLOSED

TUESDAY, SEPTEMBER 5, 2006

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.3475; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

BUTTER — SALES: 5 CARS GRADE AA: 4 @ \$1.3425, 1 @ \$1.3450; BIDS UNFILLED: 1 CAR GRADE AA @ \$1.3050; OFFERS UNCOVERED: 10 CARS GRADE AA: 1 @ \$1.3425, 1 @ \$1.3450, 1 @ \$1.3475, 2 @ \$1.3600, 1 @ \$1.3650, 3 @ \$1.3675, 1 @ \$1.3700

WEDNESDAY, SEPTEMBER 6, 2006

CHEESE — SALES: 2 CARS BARRELS @ \$1.3125; 2 CARS 40# BLOCKS @ \$1.3475; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

BUTTER — SALES: 5 CARS GRADE AA: 1 @ \$1.3400, 1 @ \$1.3300, 2 @ \$1.3350, 1 @ \$1.3300; BIDS UNFILLED: 2 CARS GRADE AA @ \$1.3000; OFFERS UNCOVERED: 6 CARS GRADE AA: 1 @ \$1.3300, 1 @ \$1.3400, 2 @ \$1.3425, 2 @ \$1.3500

THURSDAY, SEPTEMBER 7, 2006

CHEESE — SALES: 1 CAR BARRELS @ \$1.3225; 6 CARS 40# BLOCKS: 1 @ \$1.3500, 2 @ \$1.3475, 1 @ \$1.3450, 2 @ \$1.3475; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS BARRELS: 1 @ \$1.3100, 1 @ \$1.3125

BUTTER — SALES: 5 CARS GRADE AA: 1 @ \$1.3225, 3 @ \$1.3200, 1 @ \$1.3150; BIDS UNFILLED: 1 CAR GRADE AA @ \$1.2950; OFFERS UNCOVERED: 7 CARS GRADE AA: 1 @ \$1.3150, 1 @ \$1.3200, 1 @ \$1.3225, 1 @ \$1.3250, 2 @ \$1.3300, 1 @ \$1.3400

FRIDAY, SEPTEMBER 8, 2006

CHEESE — SALES: 9 CARS 40# BLOCKS: 1 @ \$1.3425, 1 @ \$1.3250, 1 @ \$1.3175, 1 @ \$1.3100, 1 @ \$1.3075, 2 @ \$1.3000, 1 @ \$1.3100, 1 @ \$1.3000; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS BARRELS: 1 @ \$1.2650, 1 @ \$1.3025; 4 CARS 40# BLOCKS: 1 @ \$1.3000, 1 @ \$1.3100, 1 @ \$1.3200, 1 @ \$1.3475

BUTTER — SALES: 2 CARS GRADE AA: 1 @ \$1.3100, 1 @ \$1.3000; BIDS UNFILLED: 2 CARS GRADE AA @ \$1.2900; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.3100

CME CASH NONFAT DRY MILK: Extra Grade closed the week at \$0.9000 and Grade A at \$0.9000. (The last price change for Extra Grade and Grade A was on August 9, 2006.) The weekly average for Extra Grade is \$0.9000 (N.C.) and Grade A is \$0.9000 (N.C.).

BUTTER MARKETS**JULY BUTTER PRODUCTION**

During July 2006, butter production in the United States totaled 92.7 million pounds, 3.3% less than July 2005 and 8.0% lower than June 2006. The following are July to July changes for various states: CA -17.4%, NY -2.1%, PA -5.8 and WI -9.7%.

NORTHEAST

Butter market is untested due to the Labor Day holiday yet the undertone remains firm. Extra loads of cream were available at the end of last week and persist as handlers return from the holiday weekend. Buyers are noting the increasing supply availability of cream and canceling some orders in an attempt to garner lower multiples. Churn activity was mixed during the holiday weekend as some plants closed whereas others were open for increased cream intakes. As a result, increased unsalted butter was produced at some locations. Stocks of cream continue to be re-processed for the upcoming holidays. Production of butter during July 2006 totaled 92.7 million pounds, 3.3% less than July 2005 and 8.0% below June 2006. Sale of bulk butter f.o.b East are reported in a range from flat market to 3.0 cents over the CME price/average.

CENTRAL

The CME butter price has moved lower over the last four trading sessions. The close on Wednesday, September 6 was \$1.3300, five cents lower than a week earlier. There is more unsettledness to the butter market as more cream has entered butter plants, especially over the extended holiday weekend. Churning schedules have increased over the levels of recent weeks. Additional volumes of unsalted butter were being made to fill needs. Contacts continue their holiday buildup plans. Churners were paying lower prices for cream ahead of and during the holiday weekend. Milk production is trending higher and fat tests are

improving slightly. More cream is coming off the bottling milk sector and cream demand has declined from ice cream producers. Processors were pulling less butter out of storage to meet current needs and appear less aggressive in purchasing loads on the Exchange and open market. July butter production totaled 92.7 million pounds, 3.3% lower than last year. Cumulative production from January to July 2006 is running 8.5% higher when compared to the same period in 2005. Spot bulk butter prices range from flat to 2 cents per pound over various pricing basis.

WEST

Cash butter prices at the CME had climbed all the way up to \$1.38 last week, but they have fallen back to \$1.33 at midweek. Contacts believe most of the weakness is coming from the supply side. More cream is available because of the weekend holiday and because more milk is going into the school pipeline which yields more standardized cream. Demand for butter is fair as retail stores prepare for fall buying patterns. More retail promotions are noted. Food service orders are slower from resort and vacation areas. Butter does continue to be pulled out of storage to supplement current production. Last week, 6.2 million pounds of butter were pulled out of CME warehouses to bring the total down to 117.7 million pounds, compared to 76.2 million pounds last year. In the last six weeks, 38.2 million pounds have left the warehouse or 6.4 million pounds per week. U.S. butter production in July totals 92.7 million pounds, down 3.3% from last year and down 8.0% from last month. Cumulative output for the first seven months of the year totals 876.3 million pounds, up 8.5% or 68.7 million pounds from the same period last year. This works out to a weekly increase in production of 2.3 million pounds. July butter production in the Western region totals 43.7 million pounds, down 7.5% from last year. The Western region produced 47% of U.S. butter production in July. Prices for bulk butter range from flat market to 4 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES**U.S. AVERAGES AND TOTAL POUNDS**

	CHEESE				
	40# BLOCKS	BARRELS	NDM	BUTTER	DRY WHEY
		38% MOISTURE			
WEEK ENDING					
SEPTEMBER 2	1.2164	1.2390	0.8509	1.3087	0.3107
	7,971,603	10,650,889	16,281,477	4,716,466	11,436,477

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Wholesale prices are mostly higher reflecting continued strength in the cash cheese market on the Chicago Mercantile Exchange. Interest from food service accounts in summer vacation areas has slowed. The reopening of schools has customers focusing on more traditional fall varieties and less on summer products. Bottlers are absorbing larger quantities of milk as the new school year begins in the region. Plant milk intakes are steady to occasionally higher.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.4100-1.9300
Cheddar Single Daisies	:	1.3675-1.8525
Cheddar 40# Block	:	1.4650-1.7400
Process 5# Loaf	:	1.5275-1.7675
Process 5# Sliced	:	1.5425-1.8525
Muenster	:	1.4850-1.6825
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market is steady and quiet after the holiday weekend. While orders seem slower from some regular accounts, others picked up as weekly average cheese prices have increased a cumulative of around 10 cents in just the last 2 weeks. Natural interest has increased seasonally, especially on shreds. Mozzarella supplies remain very tight along with provolone. Some plants have also reduced natural American output. Barrels remain tight despite a slowing in process interest seasonally. Any extra milk available over the holiday weekend was easily absorbed. However, with remaining schools reopening after the holiday, Class I use increased, pulling extra fluid supplies away from cheese production. A number of plants have reduced operating schedules to match the milk volume available. Overall milk receipts at the plant were steady to slightly higher because of very conducive late summer weather for milk production.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.5975-1.7800
Brick And/Or Muenster 5#	:	1.8000-1.9050
Cheddar 40# Block	:	1.6700-2.2650
Monterey Jack 10#	:	1.8000-2.2650
Blue 5#	:	2.2100-2.4800
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.5350-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.1550-2.8300

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER : CHEESE	
	:	:
09/04/06	45,519	: 132,102
08/01/06	53,908	: 137,815
CHANGE	-8,389	: -5,713
% CHANGE	-16	: -4

WEST

Cash prices at the CME for blocks gained 5 1/4 cents last week and have held steady through midweek at \$1.3475. Contacts believe that it has been the barrel side of the market that has been the factor in raising market prices. Barrel demand at the end of last week seems to have been satisfied and actually weakened a bit. Blocks have been available and continue to be available. Cheese production was heavier over the holiday weekend which was positive for most operations. Demand for Swiss is steady to heavier as buyers prepare for fall needs and promotions. Mozzarella demand is increasing seasonally as schools start. Total U.S. cheese production in July reached 767.9 million pounds, up 3.9% from last year. American output, at 328.6 million pounds, and total Italian cheese, at 318.3 million pounds, were up 4.0% and 5.0% respectively. Cumulative total cheese production for the first seven months of the year totals 5.47 billion pounds, up 3.2% or 167.1 million pounds from the same time last year. That works out to a weekly increase in production of 5.6 million pounds for the first seven months of the year. July total cheese production in the Western region was 338.1 million pounds, up 7.8% from July 2005. The West produced 44% of the U.S. cheese production in July. Swiss output for the U.S. in July was 24.8 million pounds, up 1% from last year.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.4700-1.7275
Cheddar 40# Block	:	1.4450-1.7975
Cheddar 10# Cuts	:	1.6250-1.8450
Monterey Jack 10#	:	1.6350-1.7950
Grade A Swiss Cuts 6 - 9#	:	2.3500-2.7000

FOREIGN

Prices are higher on most domestic varieties and unchanged on imported. Current offerings are generally adequate for needs. Importers are reviewing their expected needs to determine if they will be able to fill their import licenses or will need to return them to USDA.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
	:	:
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-4.4800	: 1.7300-3.2175*
Gorgonzola	: 3.6900-5.9900	: 2.2325-2.4900*
Parmesan (Italy)	: TFEWR	: 3.1375-3.2425*
Romano (Italy)	: 2.1000-3.2900	: -0-
Provolone (Italy)	: 3.4400-6.0900	: 1.7225-1.9600*
Romano (Cows Milk)	: -0-	: 2.9200-5.0625*
Sardo Romano (Argentina)	: 2.8500-3.2900	: -0-
Reggiano (Argentina)	: 2.6900-3.2900	: -0-
Jarlsberg-(Brand)	: 3.1200-4.1500	: -0-
Swiss Cuts Switzerland	: -0-	: 2.4500-2.6500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: TFEWR	: -0-
Gouda, Large	: TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	265	0	270	0	253	0
SOUTHEAST STATES	124	0	124	0	91	0

Milk production is mostly steady throughout the East with increases expected in the near-term as weather conditions become more favorable for milk production. The latest tropical storm, Ernesto, did not affect milk output. However, some Class I demand was reduced due to the storm and traditional lackluster retail and school-related interest was noted during the Labor Day holiday weekend. As Ernesto moved up the East coast, a few handlers reported problems in shipping as plants opted to close down during peak periods of the storm. In general, most movement was unhindered by the storm but an ample supply of trucks remains a problem. Milk shipments into Florida are reduced this week by 5 loads compared to last week. Handlers report that lower Class I interest in the area coupled with heavy inventories will likely deter imports next week as well. Increased movement of milk into manufacture during the holiday weekend encouraged production of condensed skim. Demand for condensed skim is good, resulting in limited dryer activity. Condensed skim prices are higher in response to adjustments in skim values at the change of the month and some changes in premiums over the Class price. Cream supplies increased during the holiday weekend. Multiples as high as 175 a little over a week ago are now generally being reported between 135-145. As multiples move lower, some buyers are cancelling orders. With reduced CME AA butter prices being reported and lower multiples, handlers expect cream prices to trend lower in the short-term.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.8590-2.0655
DELIVERED EQUIVALENT: ATLANTA	-	1.8590-2.2032 M 1.9003-2.0655
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.7626-2.1894

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

F.O.B. PRODUCING PLANTS:	
NORTHEAST - CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .9375-.9775
NORTHEAST - CLASS III - SPOT PRICES	- .9100-.9500

M I D W E S T

Class I sales are strong, bolstered by the reopening of remaining schools this week and early month retail features. As expected, milk supplies are tightest at midweek and a bit looser on weekends. Bottlers are able to acquire needed volumes, cutting into supplies available for manufacturing. Exports from various states to the Southeast continue strong. Milk supplies remain tight throughout the region. In the southern part of the region, an extended period of summer heat and dry conditions reduced milk receipts. Truck/trucker availability remains a problem from most shippers. Extra manufacturing milk supplies were generally minimal over the holiday weekend, easily absorbed, and prices were little changed. On a light test, reported spot manufacturing milk prices ranged from around \$2.00 to \$3.00 net over class. Cream supplies have loosened considerably in the last couple of weeks as increased Class I use is generating larger volumes of standardized cream. Ice cream production continues to ease lower seasonally. Many operations were closed an extra day for the holiday. More cheese plants are operating on reduced schedules, reflecting fluid supplies available. Plant initial milk receipts are steady to just slightly higher as current weather conditions are conducive for late summer milk production. Corn fields are disappearing as silage is being harvested as well as a late hay cutting in the northern tier states. Some fall tillage has been occurring for fall seeding and winter wheat fields. Some recently planted winter wheat in the southern part has already germinated for winter pasture. Producers are still looking at winter feed supplies in Texas and nearby states as local feed production was lowered by the drought, making supplemental feed imports expensive and more difficult. Total cow slaughter under federal inspection is well above last year with dairy cow slaughter up slightly. Total cow slaughter for 2006 for January through August 19 totals

3,276,600 head, up 249,000 (8.2%). Dairy cow slaughter for 2006 totals 1,449,200 head, up 18,900 head (1.3%). At least total cow slaughter is higher in many of the worst drought areas, including Texas. Producer milk price complaints and possibly milk check advances are on the rise.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	AUG 31 - SEP 6	PREVIOUS YEAR
SLAUGHTER COWS	\$ 47.00- 52.50	\$ 47.00- 53.00
REPLACEMENT HEIFER CALVES	\$400.00-650.00	\$300.00-700.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	AUG 31 - SEP 6	PREVIOUS YEAR
SLAUGHTER COWS	\$ 45.50- 55.50	\$ 45.00- 55.00

W E S T

The August 4a price (butter/powder) in CALIFORNIA is \$10.50, \$0.67 higher than July but \$2.56 less than last year. This compares to the Federal Order Class IV price for August at \$10.64. The August 4b price (cheese) is \$10.80, up 52 cents from July but \$2.19 lower than last year. This compares to the Federal Order Class III price for August at \$11.06. CALIFORNIA milk production is steady overall, but variable depending on the area. Several locations in the south and Central Valley were experiencing hot daytime temperatures. Slightly lower milk intake levels have been reported. Shorter days and cooler nights are helping to mitigate any adverse effects. Processing plants in the state are running as expected. No issues were reported handling milk over the extended holiday weekend. Contacts are stating that producers are seeking additional milk to process. This summer's heat impacted output of commodities like nonfat dry milk and those producers are attempting to catch up on the lost production. Bottled milk demand remains good for both school accounts and retail. ARIZONA milk output is steady to slightly lower. Several milk producing areas have been impacted by several days of rain. The effects on the cows have been that milk has been lower. Plants have room for processing as milk has moved to bottling for both local bottlers and for needs in nearby states. Retail demand has been a good draw. NEW MEXICO milk production is steady. Levels remain above a year ago. Cows seem to have grown accustomed to the lingering wet conditions over the past weeks. Milk is moving into cheese production, filling fluid orders, and moving to supplement supplies in the Southeast states. Several balancing plants in the state are down or running on reduced schedules. The CREAM market in the West moved lower ahead of the holiday weekend and continues to feel the effects of increasing supplies of cream and lower demand. Trucking issues continue to create havoc on the market. Finding tankers is a chore in itself, but paying higher shipping rates and fuel surcharges makes moving cream within the region and to other areas very challenging. Demand from ice cream accounts has slowed and more cream is moving to the butter churns. The CME butter price is five cents lower than last week and closed at \$1.3300 on Wednesday, September 6. Cream multiples moved lower and trade from 115 to 130, FOB, and vary depending on class usage and basing points. Conditions are beginning to turn more fall like in the PACIFIC NORTHWEST. West of the mountains, temperatures are cooler with night time temperatures dropping off more rapidly. The corn silage harvest is just beginning in the region and expectations are good for quality feed. It will be needed because hay continues to be a problem. Prices are up and quality is down on what is in the barn so far. Dairy producers are hoping to fill out their needs with late cutting hay, but the competition is expected to be fierce. On the east side, conditions are still quite warm with daytime temperatures still in the high 90's. The high summer heat this year has reduced hay quality and the tonnage harvested. Milk producers in the region are noticing that output has dropped a few pounds over the past few weeks. They are not certain why this is happening at this time of year. Temperatures are still warm in the daytime hours in UTAH and IDAHO, but there is no real stress on the dairy herd because of the cool nights. Milk output is at expected levels for this time of year. The corn silage harvest is just starting up and the third cutting of hay is generally finished. Many producers will get a fourth cutting this year. Water has been plentiful in the region for all crops. Demand for this late season hay will be good. Heifer prices at one major sale in the region continue to show strength. The top end prices are now back over \$2000. They have not been up there since mid-July. The average price is at \$1830, gaining back about \$150 over the last few weeks.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices and the market tone are mixed. Supplies of low heat NDM for the spot market are very light. Whereas some suppliers are offering at significant premiums, others are sticking with standard pricing programs and premiums, resulting in the wide price range being currently reported. Central buyers that made contractual deals with Western suppliers are increasingly receiving their loads on a regular basis after shortages reported during the month prior. Increased milk supplies were available during the holiday weekend, encouraging the production of low heat NDM. Resale prices are generally being reported near the high side of the range. The buyer angst that drove prices to their current levels is beginning to quell as most immediate needs are satisfied. High heat supplies are limited to contractual interest with nominal spot trades reported.

EAST: Prices are nominal on a firm market. Some contractual loads are being shorted yet the hype and anxiety with respect to immediate needs is dissipating. Spot sales direct from the manufacturer are nearly non-existent. Milk intakes at some plants were notably higher over the holiday weekend, resulting in heavier production of condensed skim. Volumes of condensed skim are readily traded into end-user facilities or into some dryers. As some producers anticipate shortages of high heat NDM later this fall, increased production of high heat instead of low heat NDM is noted. Buyers in need of additional supplies of low heat NDM are looking to the Central and Western markets. Supplies are most readily available from resellers at prices at or near the high side of the range. DAIRY PRODUCTS: Production of human food, NONFAT DRY MILK during July 2006 totaled 88.2 million pounds, down 18.9% from July 2005 and 24.6% below June 2006. Month ending stocks, at 83.6 million pounds, are 31.4% below a year ago and 24.7% lower than last month. Production of SKIM MILK POWDER, a blended product with a standardized protein content, totaled 29.3 million pounds, 8.3% lower than July 2005 but 31.3% above June 2006. Month ending stocks are not reported for this commodity.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUMHEAT: .8700 - 1.1500 MOSTLY: .9125 - 1.0850
HIGHHEAT: .9050 - 1.2500

NONFAT DRY MILK - WEST

Western low/medium heat nonfat dry milk prices are lower on the top end of the range, while the mostly range moved slightly higher. The market tone is steady to firm. The buying side of the market is not as aggressive as several weeks ago, when exuberance pushed the prices sharply higher. Buyers have backed off and are not pushing the market as hard. Cheese producers are using milk and condensed instead of NDM when available. The resale NDM market is still showing higher prices with demand slower. Producers remain behind on orders and are often rationing customers. Milk is returning in the region and production of NDM is slowly improving. The time taken to catch up on the past orders is a concern. High heat prices are slightly higher. The market is fairly well balanced. Production has been slower than projections with the same market conditions as low heat. Seasonal accounts are bringing additional needs to the marketplace. Inventories are light. U.S. NDM production in July totaled 88.2 million pounds, 18.9% lower than last year and 24.6% less than last month. Cumulative NDM production for January through July 2006 totals 819.8 million pounds, up 7.6% from the same period in 2005. Skim milk powders (SMP) production in June totaled 29.3 million pounds, down 8.3% from last year, but 31.3% more than last month. July NDM production in the Western region totaled 58.3 million pounds, down 13.6% from last year. The West produced 66% of the U.S. total in July. California produced 35.4 million pounds, down 8.8% from July 2005. U.S. manufacturers' stocks at the end of July were reported at 83.6 million pounds, 31.4% less than last year and 24.7% lower than last month.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
LOW/MEDIUMHEAT: .8350 - .9500 MOSTLY: .8575 - .9500
HIGHHEAT: .8650 - .9500

CALIFORNIA MANUFACTURING PLANTS - NDM

-see adjacent column-

DRY BUTTERMILK - CENTRAL

Prices are unchanged to higher and nominal on a firm market. Increased production was noted at some locations during the holiday weekend. Producers continue to hold supplies with confidence and offer at higher prices. Some traders are picking up loads and reselling at prices within the range. Some Western supplies are inventoried in the region and trading at competitive prices. Production of dry buttermilk during July 2006 totaled 4.1 million pounds, 11.4% less than July 2005 and 14.7% below June 2006. Month ending stocks, at 4.8 million pounds, are 46.5% below a year ago and 54.1% lower than June 2006.

F.O.B. CENTRAL: 1.0200 - 1.0700

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are unchanged to higher and nominal. The market tone is firm. Supplies are mostly traded on contracts. Buyers in need of spot trades are having to search for supplies in the Central or Western regions where prices are often higher, especially when adding in delivery charges. Production of dry buttermilk during July 2006 totaled 4.1 million pounds, 11.4% less than July 2005 and 14.7% below June 2006. Month ending stocks, at 4.8 million pounds, are 46.5% below a year ago and 54.1% lower than June 2006.

F.O.B. NORTHEAST: .9300 - .9400
DELVD SOUTHEAST: .9500 - .9700

DRY BUTTERMILK - WEST

Western buttermilk prices continue to trend higher. The market tone remains firm. Current demand appears balanced with offerings on the market. Both supply and demand have withdrawn over the levels of several months ago. Production levels are trending higher at some location as butter output increases and more buttermilk solids are available for drying. Usage of condensed buttermilk in ice cream production has diminished. Current stocks of dry buttermilk are limited.

F.O.B. WEST: .8400 - .9000 MOSTLY: .8650 - .8900

DRY WHOLE MILK - NATIONAL

Dry whole milk prices are lower on the bottom of the range, but are generally holding steady otherwise. Demand is improving seasonally as additional accounts are beginning to utilize whole milk. Current drying schedules are moderate and along projections. Inventories are limited and are holding mostly steady. Dry whole milk production during July 2006 totaled 3.0 million pounds, up 48.2% from July 2005 and 22.6% more than June 2006.

F.O.B. PRODUCING PLANT: 1.1700 - 1.3200

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
September 1	\$.8353	11,359,713	0
August 25	\$.8382	11,915,299	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Prices are unchanged to higher on a firm market. Currently, spot supplies available direct from the manufacturer are insufficient to force prices to move significantly higher. Resale trade is commanding premiums up to 4 cents. Intakes of milk increased at some cheese plants over the weekend, encouraging heavier production of condensed whey. Supplies of condensed whey have been in balance to tight for the last few weeks. Thus, offerings of condensed whey into end-user and WPC/lactose facilities are notably higher. Some increases in dry whey production are reported yet supplies are readily cleared to regular end-users. To supplant supply deficiencies in the Central region, some buyers are making inquiries with Western suppliers. Brokers are also calling their end-users to see if they would want to sell back any of their stocks. Feed grade supplies are tight and trade is nominal for the good interest. Production of HUMAN FOOD, dry whey during July 2006 totaled 84.9 million pounds, 5.0% more than July 2005 but 0.3% below June 2006. Month ending stocks, at 38.5 million pounds, are 4.9% above a year ago but 5.3% less than June 2006. Production of ANIMAL FEED, dry whey during July 2006 totaled 5.5 million pounds, 33.7% less than July 2005 but 10.1% above June 2006. Month ending stocks, at 2.9 million pounds, are 36.1% lower than a year ago but 13.2% more than June 2006.

F.O.B. CENTRAL: .3175 - .3675 MOSTLY: .3175 - .3375
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2975 - .3200

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are higher and nominal on a firm market. Most trade is contractual, clearing steadily into end-user and broker warehouses. As a result, supplies are very limited for the spot trade. Some resellers are buying product from brokers in the Central region to satisfy spot load requests. Increased supply availability is not anticipated in the near-term. Total dry whey production during July 2006 totaled 90.4 million pounds, 1.4% more than July 2005 and 0.3% above June 2006. Month ending stocks, at 41.4 million pounds, are 0.4% above a year ago but 4.2% less than June 2006.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .3275 - .3350
DELVD SOUTHEAST: .3475 - .3550

DRY WHEY - WEST

Western whey prices range from steady to higher with a firm undertone. Both domestic and export sales are rated as good. Some domestic buyers have had to wait for deliveries recently, but that seems to be correcting itself. Some exporters will take until mid-October to catch up on orders. Production levels have recovered from the low levels caused by the summer heat. U.S. human food whey production in July totals 84.9 million pounds, up 5.0% from last year. Stocks at the end of the month total 38.5 million pounds, up 4.9% from last year. Cumulative total dry whey production for the first seven months of the year has reached 653.2 million pounds, up 5.2% from last year. The Western region in July produced 25.0 million pounds of human food whey powder, up 1.1% from last year.

NONHYGROSCOPIC: .2725 - .3400 MOSTLY: .3100 - .3200

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are higher on a firm market. Production is about steady and in line to satisfy most contractual orders. Supplies are however limited for the spot trade. Offerings are generally noted at a premium to the market. Resale trades are being reported slightly above the high side of the range for the fair interest. Demand from feed buyers is somewhat improved as the price and availability of the alternative combination of WPC 80% and whey becomes increasingly unattractive. Inquiries for WPC are noted from Europe, Asia and Mexico. Off grade supplies are tight. Production of HUMAN AND ANIMAL WPC (25.0-49.9% PROTEIN) during July 2006 totaled 24.3 million pounds, 7.6% higher than July 2005 and 2.2% above June 2006. Manufacturers' end-of-month stocks totaled 19.2 million pounds, 17.9% higher than a year ago and 1.5% above last month. Production of HUMAN AND ANIMAL WPC (50.0-89.9% PROTEIN) during July 2006 totaled 9.8 million pounds, up 11.7% from July 2005 but 7.7% below June 2006. Manufacturers' end-of-month stocks totaled 11.5 million pounds, 14.5% above last year but 4.9% lower than last month.

F.O.B. EXTRA GRADE 34% PROTEIN: .6200 - .6650 MOSTLY: .6250 - .6450

LACTOSE - CENTRAL AND WEST

Prices are unchanged to higher on a firm market. Supplies direct from the manufacturer remain tight. Significant premiums are reported on loads demanded from specific suppliers. Resale trade is generally being reported between 37-40 cents. Buyers continue to request contract deals for the fourth quarter and next year. Sellers are reluctant to negotiate until the end of the month when stocks and price can be more firmly determined. Lactose production during July 2006 totaled 55.1 million pounds, down 0.4% from July 2005 and 2.1% lower than June 2006. Month ending stocks, at 40.3 million pounds, are 30.9% lower than a year ago and 2.9% below last month.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .2775 - .4500 MOSTLY: .3200 - .4000

CASEIN - NATIONAL

Acid and rennet casein prices are unchanged. There has been little news available to affect current pricing levels. Product movement remains centered around existing contracts. There is adequate product availability to service accounts in the United States.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 2.9500 - 3.0000
ACID: 3.0000 - 3.0500

EVAPORATED MILK - NATIONAL

Prices are unchanged. Canned evaporated milk production during July 2006 totaled 39.5 million pounds, down 7.6% from July 2005 and 10.0% below June 2006. Manufacturers end-of-month stocks totaled 86.6 million pounds, 10.7% higher than a year ago and 21.7% above last month.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$21.20 - 36.00

Excluding promotional and other sales allowances. Included new price announcements.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF SEPTEMBER 4 - 8, 2006			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/05	SAME PERIOD LAST YEAR	WEEK ENDING 09/01/06	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	198,000	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	198,000	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	-0-	-0-	-0-	63,991,990	31,817,269	-0-	-0-
Fortified	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	63,991,990	31,817,269	-0-	-0-

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF SEPTEMBER 4 - 8, 2006 =	0.0	0.0	COMPARABLE PERIOD IN 2005 =	0.0	0.0
CUMULATIVE SINCE OCTOBER 1, 2005 =	15.9	746.8	CUMULATIVE SAME PERIOD LAST YEAR =	7.0	370.4
CUMULATIVE JAN. 1 - SEPT. 8, 2006 =	15.9	746.8	COMPARABLE CALENDAR YEAR 2005 =	0.0	0.0

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF SEPTEMBER 4 - 8, 2006 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/05 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05
CENTRAL	-0-	-0-	198,000	-0-	1,364,259	1,331,567	13.4	4.2
WEST	-0-	-0-	-0-	-0-	60,223,255	29,415,099	83.3	92.4
EAST	-0-	-0-	-0-	-0-	2,404,476	1,070,603	3.3	3.4
TOTAL	-0-	-0-	198,000	-0-	63,991,990	31,817,269	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 08/19/06 & Comparable Week 2005

Regions* (000 HEAD)	1	2	3	4	5	6	7	8	9	10	U.S. TOTAL		% DAIRY OF ALL	
											WEEK SINCE JAN 1	WEEK SINCE JAN 1	WEEK SINCE JAN 1	WEEK SINCE JAN 1
2006-Dairy	N.A.	0.5	5.9	2.5	16.6	2.9	0.3	N.A.	15.5	1.8	47.4	1,449.2	44.7	44.2
2005-Dairy	N.A.	0.7	6.5	2.6	14.3	2.7	0.4	N.A.	14.6	1.6	44.4	1,430.3	48.8	47.3
2006-All cows	N.A.	0.5	7.4	12.6	29.0	19.2	12.9	N.A.	18.1	2.5	106.0	3,276.6		
2005-All cows	N.A.	0.8	8.1	11.5	26.4	13.1	9.6	N.A.	16.8	2.1	90.9	3,027.0		

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87
2004	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72	14.16	14.89	16.14
2005	14.14	14.70	14.08	14.61	13.77	13.92	14.35	13.60	14.30	14.35	13.35	13.37

FEDERAL MILK ORDER CLASS PRICES FOR 2006 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	13.38	13.38	12.49	11.22	10.97	10.75	11.34	10.97	10.85			
II	13.25	12.62	11.69	11.37	11.13	11.00	10.83	11.16				
III	13.39	12.20	11.11	10.93	10.83	11.29	10.92	11.06				
IV	12.20	11.10	10.68	10.36	10.33	10.22	10.21	10.64				

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfm05/mib/cls_prod_cmp_pr.htm

JULY 2006 DAIRY PRODUCTS HIGHLIGHTS

BUTTER production was 92.7 million pounds in July, 3.3 percent below July 2005 and 8.0 percent below June 2006. **AMERICAN TYPE CHEESE** production totaled 328.6 million pounds, 4.0 percent above July 2005 but 2.5 percent below June 2006. **TOTAL CHEESE** output (excluding cottage cheese) was 767.9 million pounds, 3.9 percent above July 2005 but 3.3 percent below June 2006. **NONFAT DRY MILK** production, for human food, totaled 88.2 million pounds, 18.9 percent below July 2005 and 24.6 percent below June 2006. **DRY WHEY** production, for human food, was 84.9 million pounds, 5.0 percent above July 2005 but 0.3 percent below June 2006. **ICE CREAM** (hard) production totaled 85.4 million gallons, 1.8 percent below July 2005 and 2.8 percent below June 2006.

PRODUCTION OF DAIRY PRODUCTS									
PRODUCT	JUL 2006	PERCENT CHANGE FROM:			PRODUCT	JUL 2006	PERCENT CHANGE FROM:		
	1,000 LBS.	JUL 2005	JUN 2006	YEAR TO DATE 1/		1,000 LBS.	JUL 2005	JUN 2006	YEAR TO DATE 1/
BUTTER	92,725	-3.3	-8.0	8.5	YOGURT (PLAIN AND FLAVORED)	262,997	7.5	-3.5	4.1
CHEESE					DRY WHEY PRODUCTS				
AMERICAN TYPES 2/	328,578	4.0	-2.5	3.3	DRY WHEY, HUMAN FOOD	84,928	5.0	-0.3	---
CHEDDAR	267,434	5.8	-0.3	3.3	DRY WHEY, ANIMAL FEED	5,466	-33.7	10.1	---
SWISS	24,809	1.0	-2.8	---	DRY WHEY, TOTAL	90,394	1.4	0.3	5.2
BRICK & MUENSTER	8,853	19.8	-5.2	---	REDUCED LACTOSE AND MINERALS				
CREAM & NEUFCHATEL	51,579	-5.2	-10.1	---	HUMAN FOOD	3,376	-21.5	4.1	---
HISPANIC	14,201	10.2	-1.2	---	ANIMAL FEED	3,778	-33.0	-5.1	---
MOZZARELLA	254,881	4.8	-2.6	3.0	LACTOSE, HUMAN FOOD & ANIMAL FEED	55,139	-0.4	-2.1	---
OTHER ITALIAN TYPES	63,423	6.1	-1.4	4.9	WHEY PROTEIN CONCENTRATE				
TOTAL ITALIAN TYPES	318,304	5.0	-2.4	3.4	HUMAN FOOD 7/	29,849	10.3	-0.2	---
ALL OTHER TYPES	21,625	2.0	-11.1	---	ANIMAL FEED 7/	4,259	-0.8	-5.7	---
TOTAL	767,949	3.9	-3.3	3.2	TOTAL 7/	34,108	8.7	-0.9	---
COTTAGE CHEESE, CURD 3/	36,614	-3.9	-2.6	---	25.0-49.9 PERCENT 8/	24,300	7.6	2.2	---
COTTAGE CHEESE, CREAM 4/	29,025	-9.1	-6.7	-4.2	50.0-89.9 PERCENT 8/	9,808	11.7	-7.7	---
COTTAGE CHEESE, LOWFAT 5/	32,739	0.9	-2.1	-0.9	PROTEIN ISOLATES 9/	2,455	11.6	-4.4	---
CANNED EVAP & CONDSO WHOLE MILK	39,450	-7.6	-10.0	---	FROZEN PRODUCTS	1,000 GALLONS	PERCENT CHANGE FROM:		
DRY WHOLE MILK	2,955	48.2	22.6	---	ICE CREAM (HARD)	85,446	-1.8	-2.8	-1.1
NONFAT DRY MILK (NDM), HUMAN	88,240	-18.9	-24.6	7.6	ICE CREAM, LOWFAT (HARD)	11,100	7.3	-18.3	---
SKIM MILK POWDERS (SMP) 6/	29,344	-8.3	31.3	---	ICE CREAM, LOWFAT (SOFT)	25,843	-2.8	-9.1	---
DRY BUTTERMILK	607	20.2	4.8	---	ICE CREAM, LOWFAT (TOTAL)	36,943	---	-12.0	1.8
SOUR CREAM	84,798	6.9	-5.4	5.4	YOGURT (TOTAL)	6,262	6.7	-9.0	2.5

MANUFACTURERS' STOCKS, END OF MONTH 10/							
PRODUCT	JUL 2006	PERCENT OF:		PRODUCT	JUL 2006	PERCENT OF:	
	1,000 LBS.	JUL 2005	JUN 2006		1,000 LBS.	JUL 2005	JUN 2006
DRY WHEY PRODUCTS				WHEY PROTEIN CONCENTRATE			
DRY WHEY, HUMAN FOOD	38,527	4.9	-5.3	HUMAN FOOD 7/	28,217	15.9	-1.3
DRY WHEY, ANIMAL FEED	2,898	-36.1	13.2	ANIMAL FEED 7/	2,498	25.5	2.3
REDUCED LACTOSE & MINERALS—HUMAN & ANIMAL 11/	4,492	-1.7	-2.7	TOTAL 7/	30,715	16.6	-1.0
LACTOSE, HUMAN FOOD & ANIMAL FEED	40,282	-30.9	-2.9	25.0-49.9 PERCENT 8/	19,202	17.9	1.5
CANNED EVAP & CONDSO WHOLE MILK	86,572	10.7	21.7	50.0-89.9 PERCENT 8/	11,513	14.5	-4.9
DRY BUTTERMILK	4,829	-46.5	-54.1	NONFAT DRY MILK (NDM), HUMAN FOOD	83,589	-31.4	-24.7

1/ 2006 cumulative as percent change of 2005 cumulative. 2/ Includes Cheddar, colby, monterey and jack. 3/ Mostly used for processing into cream or lowfat cottage cheese. 4/ Fat content 4 percent or more. 5/ Fat content less than 4 percent. 6/ Includes protein standardized and blends. 7/ Whey Protein Concentrate, 25.0 to 89.9 percent. 8/ Whey Protein Concentrate Human and Animal. 9/ Whey Protein Isolates, 90.0 percent or greater. 10/ Stocks held by manufacturers at all points and in transit. 11/ Reduced lactose and minerals stocks combined to avoid disclosure of individual operations.

SOURCE: "Dairy Products," Da 2-6 (9-06), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

FEDERAL MILK ORDER CLASS AND COMPONENT PRICES, AUGUST

Component Price Information: Under the Federal milk order pricing system, the butterfat price for August 2006 is \$1.3008 per pound. Thus, the Class II butterfat price is \$1.3078. The protein and other solids prices for July are \$1.9050 and \$0.1416 per pound, respectively. These component prices set the Class III skim milk price at \$6.74 per cwt. The August IV skim milk price is \$6.31 which is derived from the nonfat solids price of \$0.7013 per pound. **Product Price Averages:** The product price averages for August are: butter \$1.1990, nonfat dry milk \$0.8484, cheese \$1.1813, and dry whey \$0.2965.

FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT <u>1/ 2/</u>						
FEDERAL MILK ORDER MARKETING AREAS <u>3/</u>	ORDER NUMBER	AUGUST 2006				SEPTEMBER 2006
		CLASS I	CLASS II	CLASS III	CLASS IV	CLASS I
		DOLLARS PER 100 POUNDS				
Northeast (Boston) <u>4/</u>	001	14.22	11.16	11.06	10.64	14.10
Appalachian (Charlotte) <u>5/</u>	005	14.07	11.16	11.06	10.64	13.95
Southeast (Atlanta) <u>6/</u>	007	14.07	11.16	11.06	10.64	13.95
Florida (Tampa) <u>7/</u>	006	14.97	11.16	11.06	10.64	14.85
Midwest (Cleveland) <u>8/</u>	033	12.97	11.16	11.06	10.64	12.85
Upper Midwest (Chicago) <u>9/</u>	030	12.77	11.16	11.06	10.64	12.65
Central (Kansas City) <u>10/</u>	032	12.97	11.16	11.06	10.64	12.85
Southwest (Dallas) <u>11/</u>	126	13.97	11.16	11.06	10.64	13.85
Arizona (Phoenix) <u>12/</u>	131	13.32	11.16	11.06	10.64	13.20
Pacific Northwest (Seattle) <u>13/</u>	124	12.87	11.16	11.06	10.64	12.75
All-Market Average	---	13.62	11.16	11.06	10.64	13.50

1/ To convert the Class I price per 100 pounds to the Class I price per gallon, divide 11.63--the approximate number of gallons in 100 pounds of milk.

2/ Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table.

3/ Names in parentheses are the major city in the principal pricing point of the market.

4/ Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25; and Washington, DC, minus \$0.25.

5/ Class I prices at other cities are: Knoxville, minus \$0.30 and Louisville, minus \$0.90.

6/ Class I prices at other cities are: New Orleans; plus \$0.50; Memphis, minus \$0.30; Nashville, minus \$0.50; and Springfield, Mo., minus \$0.90.

7/ Class I prices at other cities are: Orlando, same; Miami, plus \$0.30; and Jacksonville, minus \$0.30.

8/ Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20.

9/ Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10.

10/ Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver, plus \$0.55.

11/ Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75.

12/ Effective May 1, 2006, the name of the Federal milk order was changed. Clark County, Nevada which includes Las Vegas, was removed from the marketing area.

13/ Class I prices at other cities are: Portland, same; and Spokane, same.

JULY FLUID MILK SALES

During July, about 4.3 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 0.5 percent higher than July 2005. After adjusting for calendar composition, sales in July 2006 were 0.7 percent higher than July 2005. On an individual product basis, after adjusting for calendar composition, sales of flavored whole milk, reduced fat (2%) milk, low fat milk (1%), and fat-free (skim) milk increased from July 2005, while sales of whole milk, flavored fat-reduced milk, and buttermilk decreased from a year earlier. Sales data for organic milk are now being provided.

Editor's Note: Additional data can be found at <http://www.ams.usda.gov/dyfmoms/mib/fluidsales.htm>.

**ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS,
JULY 2006, WITH COMPARISONS 1/**

Product Name	Sales		Change from: 2/	
	July	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Whole Milk	1,360	9,568	-2.5	-2.1
Flavored Whole Milk	58	409	0.2	-4.6
Organic Whole Milk 3/	19	137	---	---
Reduced Fat Milk (2%)	1,463	10,258	2.8	3.2
Low Fat Milk (1%)	492	3,662	2.1	2.6
Fat-Free Milk (Skim)	646	4,644	1.8	2.5
Flavored Fat-Reduced Milk	142	2,049	-4.9	0.3
Organic Fat-Reduced Milk 3/	65	453	---	---
Buttermilk	41	297	-2.5	-0.5
Total Fluid Milk Products 4/	4,299	31,589	0.5	1.2
Total Fluid Milk Products Adjusted 4/ 5/	4,356	31,662	0.7	1.2

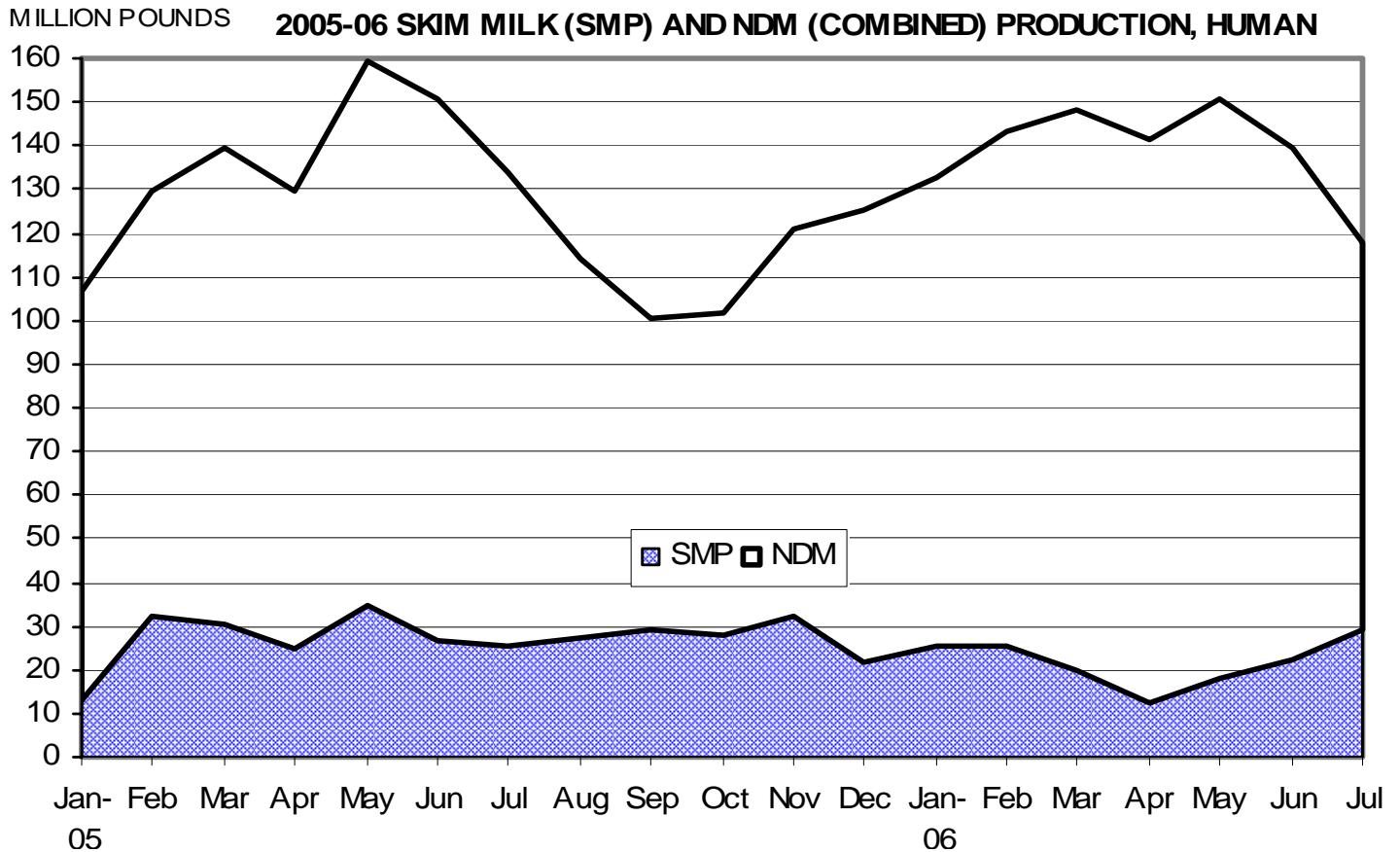
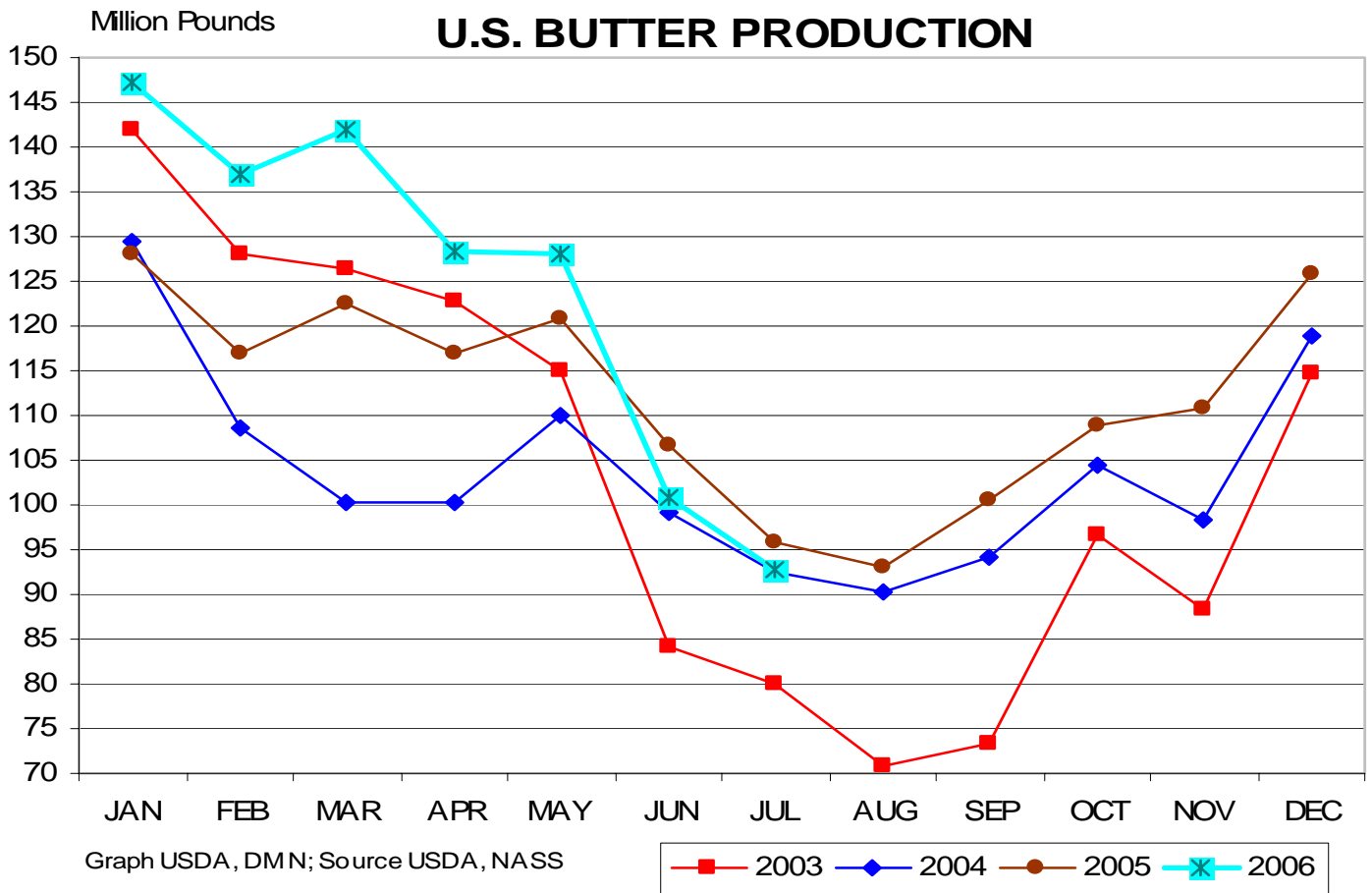
1/ These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which accounts for approximately 92 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 8 percent of sales from the Federal milk order and California data. 2/ Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis; see 5/. Organic milk is included with conventional milk in calculating percentage changes; see 3/. 3/ Data are not available for previous year. 4/ Total fluid milk products include the products listed plus miscellaneous products and eggnog. 5/ Sales volumes and percent changes have been adjusted for calendar composition; see http://www.ams.usda.gov/dyfmoms/mib/clndr_comp_rpt.pdf

**PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS
AND CALIFORNIA, JULY 2006, WITH COMPARISONS 1/**

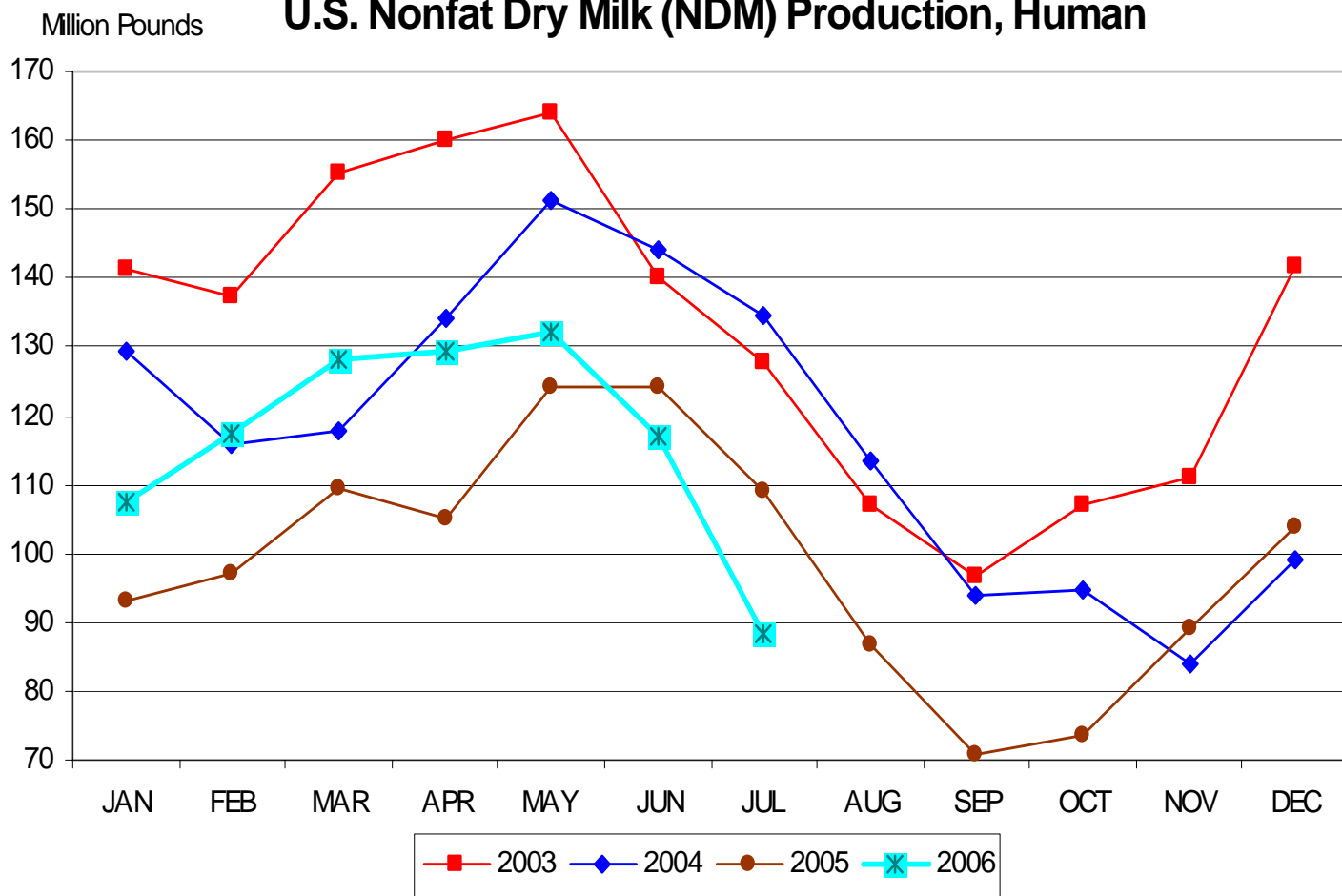
Area (Order Number)	Sales		Change from: 2/	
	July	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Northeast (001)	749	5,453	0.1	0.0
Appalachian (005)	269	2,063	3/	3/
Southeast (007)	391	2,860	4.0	3.6
Florida (006)	229	1,698	-2.7	-1.9
Mideast (033)	493	3,586	1.4	0.5
Upper Midwest (030)	343	2,551	-1.4	1.0
Central (032)	366	2,698	4.8	2.8
Southwest (126)	337	2,505	4/	4/
Arizona-Las Vegas (131)	97	732	5/	5/
Pacific Northwest (124)	169	1,246	-0.1	1.6
California (---)	511	3,724	-0.1	0.9

1/ These figures are representative of the consumption of total fluid milk products in the respective area; see 3/ above for the products included. 2/ Percent changes, as well as sales volumes, are shown on an unadjusted basis; see 2/ above. 3/ Percent changes for this market are not comparable due to an expansion in the marketing area. 4/ Percent changes for this market are not comparable due to reporting revisions. 5/ Percent changes for this market are not comparable. Effective May 1, 2006, Clark County, Nevada was removed from the marketing area.

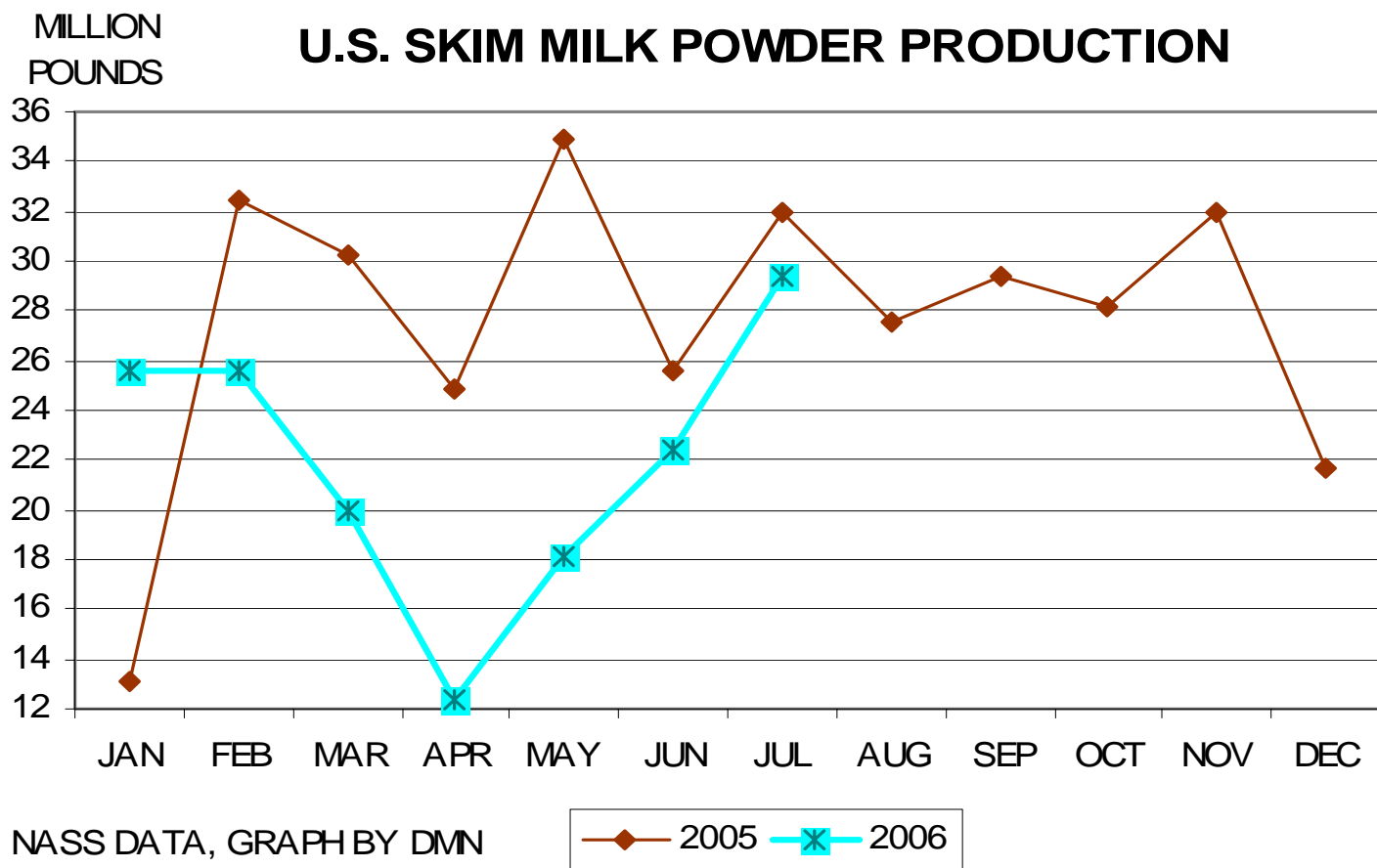
SOURCE: Monthly reports filed by milk processors subject to the provisions of the applicable Federal milk order, AMS, USDA, and *California Dairy Information Bulletin*, California Agricultural Statistics Service and Milk Stabilization Branch.

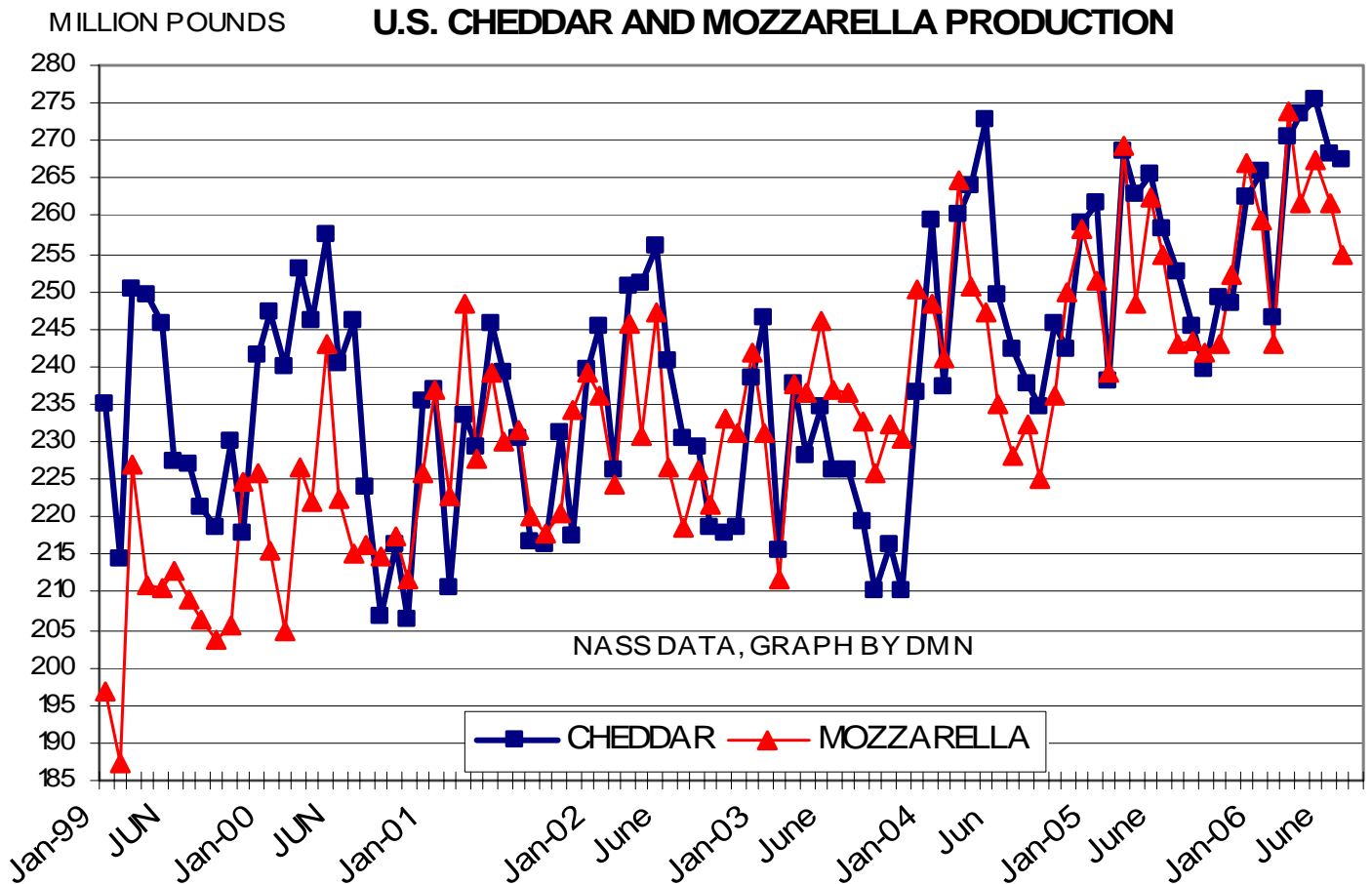
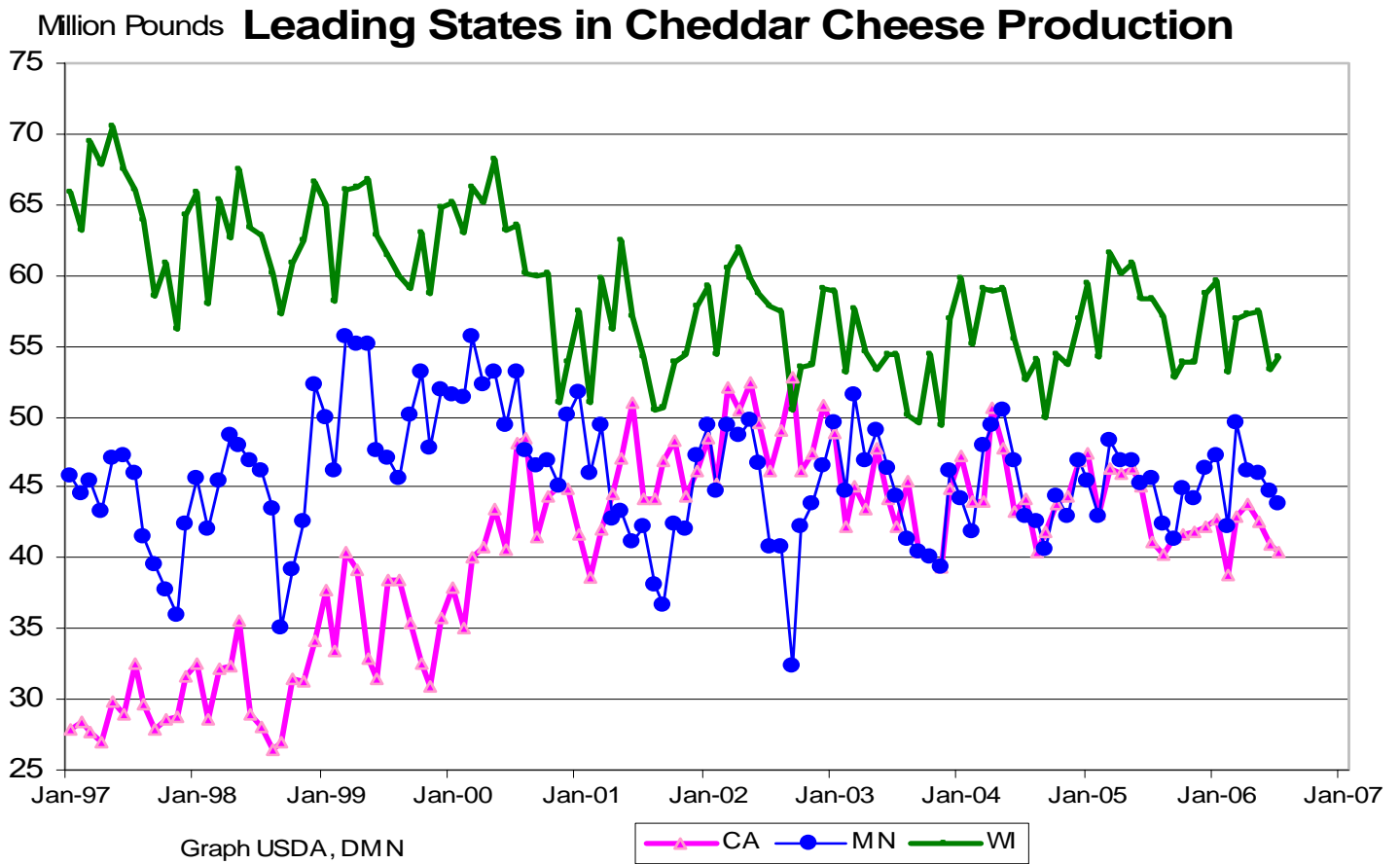


U.S. Nonfat Dry Milk (NDM) Production, Human



U.S. SKIM MILK POWDER PRODUCTION





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GENERAL NUMBER

Elizabeth Frederick
(608) 250-3200
Elizabeth.Frederick@USDA.GOV

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DATE: 09/08/06

Janet Linder
(608) 250-3207
Janet.Linder@USDA.GOV

CENTRAL

George Koerner
(608) 250-3205
George.Koerner@USDA.GOV

Colleen Curran
(608) 250-3203
Colleen.Curran@USDA.GOV

SOUTHWEST

Lester "Butch" Speth
(608) 250-3202
Butch.Speth@USDA.GOV

NORTHWEST/MOUNTAIN

Donald Nelson
National Supervisor
(608) 250-3206
DonaldO.Nelson@USDA.GOV

INTERNATIONAL

Steven Schneeberger
(608) 250-3204
Steven.Schneeberger@USDA.GOV

INTERNET ADDRESS

WWW.AMS.USDA.GOV/DAIRY/MNCS/INDEX.HTM

RECORDED INFORMATION SYSTEM

(608) 250-3208

FAX

(608) 250-3216

USDA, Dairy Market News
122 E Olin Ave Ste 290
Madison, WI 53713-1475